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News Release

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Beale sentenced to 134 months for tax evasion

Robert B. Beale, the founder and former chief executive officer of the Control Corp. of Maple Grove, was sentenced today in federal court on tax evasion charges.

United States District Court Judge Ann Montgomery sentenced Beale, 65, North Oaks, to 134 months in prison on one count of felony conspiracy to defraud the U.S., five counts of tax evasion for concealing and failing to pay income tax on more than \$5 million in income, and one count of failing to appear in federal court. Beale was also required to pay the government all back taxes owed, pay a \$175,000 fine and serve three years supervised release.

Beale was sentenced Sept. 11 in Minneapolis. He was convicted on those counts by a jury on April 30 following an eight-day trial. Beale was indicted in January 2006.

"Mr. Beale enjoyed the benefits of citizenship, but then sought to evade a fundamental responsibility as a citizen of the United States," said U.S. Attorney Frank J. Magill. "He engaged in a long-term, concerted effort to conceal millions dollars of his income and attempted to excuse his conduct by making frivolous arguments about the legality of the tax system. These arguments have been repeatedly rejected by courts throughout the United States. Mr. Beale, like many others before him, has now learned that these for-a-fee tax evasion schemes are baseless and lead to significant criminal consequences."

"The law is crystal clear: people must pay their taxes," said Francine Evans, Special Agent in Charge of the Internal Revenue Service-Criminal Investigation Division's St. Paul office. "There is no gray area on this issue. For decades, the courts have consistently upheld the tax law, and this sentence today is another example of the serious consequences that can result by attempting to circumvent those laws."

Beale, with the assistance of Lee Stagni, the former president of Control, engaged in a concerted effort to conceal and disguise Beale's salary from the Internal Revenue Service and from the Minnesota Department of Revenue. Control is a computer parts firm, which has continued in business under new ownership. Stagni was convicted in September 2006 and sentenced to 43 months in prison.

Prior to July 2000, Beale was paid as an employee of Comtrol using an automated payroll system, with standard withholdings for state and federal taxes. In July 2000, although his duties at Comtrol had not changed, Beale directed the company's payroll department to change his employment designation from "employee" to "consultant."

Beale began submitting invoices to Comtrol for his salary under the name of the Chayil Corp., a shell corporation which served no purpose other than as a pass-through entity for concealing Beale's income from the IRS. From 2000 to September 2004, Comtrol failed to report to the IRS more than \$5.1 million in income paid to Beale. Beale never personally reported the income, and never filed a tax return or paid any income taxes on the money.

A warrant was issued for his arrest after he failed to appear for the start of his tax evasion trial on Aug. 14, 2006. He was captured by U.S. Marshals on Nov. 1, 2007, in Orlando, Fla.

This case was the result of an investigation by the IRS-Criminal Investigation Division, with assistance from the U.S. Marshals Service, and was prosecuted by Assistant U.S. Attorneys Tim Rank and Michael L. Cheever.